Does Business Model Matter for Startup Success? A Quantitative Analysis

Abstract:

In multiple research areas, scholars try to find determinants for business performance. Especially for entrepreneurship, this is of interest as failure rates are high. Qualitative research demonstrates that a firm's business model influences its performance. However, research lacks large-scale quantitative studies to analyze if a firm's applied business model explains heterogeneity in business performance. Therefore, this research builds on a dataset of 500 startups and analyzes the relationship of their applied business model patterns and their business performance (i.e., survival as proxy). Two business model patterns are significantly correlated with a higher survival rate (i.e., Freemium and Subscription), while four patterns are significantly correlated with a lower survival rate (i.e., Cross Selling, Hidden Revenue, Layer Player, and No Frills). For literature, we enrich qualitative research with statistical evidence that business models matter for business performance and strengthen the concept's role as a useful theoretical construct in management and
entrepreneurship research. For practice, the paper reinforces the importance of business models for startup success and provides clear guidance regarding which business model pattern increases the probability of startup survival. Findings provide first insights in the relationship of business models and business performance and opens up fruitful areas for future research.

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